

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Nakano & Villaraigosa Analyst: Marion Mann DeJong Bill Number: AB 2768

Related Bills: See Prior Analysis Telephone: 845-6979 Amended Date: 04/10/2000

Attorney: Patrick Kusiak Sponsor:

SUBJECT: B&CT Rates/Reduce Tax on Eligible Small Businesses by 10%

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 25, 2000.
- ☐ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☐ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- ☐ FURTHER AMENDMENTS NECESSARY.
- ☐ DEPARTMENT POSITION CHANGED TO _____.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 25, 2000, STILL APPLIES.
- ☐ OTHER - See comments below.

SUMMARY OF BILL

This bill would allow an eligible small business to reduce its corporate franchise or income tax liability by 10%.

SUMMARY OF AMENDMENT

The April 10, 2000, amendments made changes that were provided by the department at the author's and Assembly Revenue and Taxation Committee staff's request. The amendments would apply the tax reduction to both the corporate income tax and the corporate franchise tax. The amendments also clarify when a business is an eligible small business. The amendments resolved the constitutional issue and implementation concerns raised by the department.

The Effective Date, Legislative History, current law discussion of Specific Findings and Fiscal Impact from the department's analysis of the bill as introduced February 25, 2000, still apply. The remainder of that analysis is replaced with the following. In addition, the Board Position is reiterated below.

SPECIFIC FINDINGS

This bill would allow an "eligible small business" to reduce its corporate franchise or income tax, after application of any credits, by 10%. The minimum franchise tax also would be reduced by 10%.

An "eligible small business" (as defined in paragraph (1) of subdivision (f) of Section 24416) would mean any trade or business that has gross receipts, less returns and allowances, of less than \$1 million during the income year.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Johnnie Lou Rosas

4/14/00

"Gross receipts, less returns and allowances" would mean the sum of the gross receipts from the production of business income and the gross receipts from the production of nonbusiness income. The determination of gross receipts of the corporation would be made by including the gross receipts of each member of the commonly controlled group.

This bill would not apply to the Alternative Minimum Tax since it is imposed under Chapter 2.5 of the B&CTL or to the bank tax (Article 3 of Chapter 2). In addition, **the bill** specifies that it would not apply to S corporations.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the department's normal annual update.

BOARD POSITION

Pending.